WEEKLY ECONOMIC REVIEW

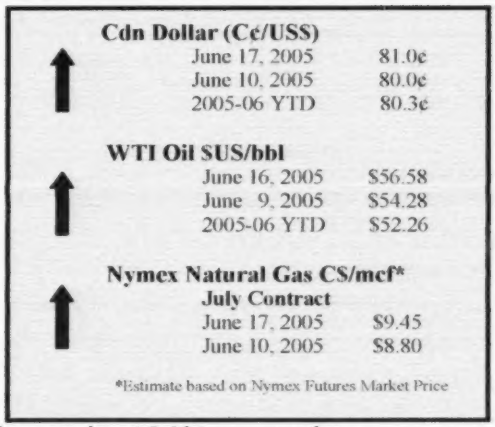
JUNE 17, 2005

The U.S. current account[1] deficit reached an all time high of $195.1 billion in the first quarter of 2005, accounting for a record 6.4% of the U.S. economy. Market concerns were renewed that the U.S. dollar may have further to fall in order to address this deficit.

The U.S. inflation rate fell to 2.8% in May, registering its first decline in ten months. Despite moderating inflation concerns, markets still expect the Federal Reserve to raise its key interest rate by a quarter percent (to 3.25%) at its June 30th meeting.

The Canadian dollar reached its highest level in two months at 81 cents US on Friday morning, as strong energy prices and the record high U.S. current account deficit supported the loonie. Earlier in the week, positive remarks on Canada's economic outlook by Bank of Canada Governor Dodge combined with the minority government's survival on a series of confidence votes backed the Canadian dollar.

Alberta's manufacturing sector continued to show strength in April, with shipments up an impressive 15.2% year-to-date.



Despite OPEC's decision to raise its oil production quota by half a million barrels per day (formalizing its current output levels at 28 million barrels per day), crude prices increased this week after U.S. crude inventories declined more than expected. Heightened concerns of U.S. refinery capacity constraints drove prices above US$57 per barrel on Friday.

[1]The current account figure is the combined balances on trade in goods, services, income, and net current transfers.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[2]
Manufacturing Shipments ($ millions)	**April**			
Alberta	4,941	2.7%	13.8%	15.2%
Canada	50,241	0.9%	3.1%	6.9%
Wholesale Trade ($ millions)	**April**			
Alberta	4,562	1.6%	19.3%	18.2%
Canada	39,401	0.9%	5.2%	7.3%
New Motor Vehicle Sales (# of vehicles)	**April**			
Alberta	18,708	5.4%	13.2%	11.1%
Canada	139,003	1.6%	2.1%	4.0%

Source: Statistics Canada, Canada Mortgage and Housing Corporation

[2]Year-to-date 2005 compared to the same time period in 2004. For example: January-April 2005 versus January-April 2004